The Influence Of District Own Source Revenue And General Allocation Fund On Regional Expenditure
(Survey On Local Government District/City in West Java Province 2011-2015)

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Abstract

This study aims to determine the effect of district own source revenue and general allocation fund to regional expenditure in West Java Province.

This study was a quantitative research using secondary data obtained from data collection through document at Central Bureau of Statistics of West Java Province. To know the effect district own source and general allocation fund to regional expenditure, this research uses descriptive and verification method. The analytical method used is multiple linear regression with SPSS version 16 application.

The results of this study indicate that the variables of district own source revenue significantly effect the regional expenditure. Similarly, general allocation funds affect regional expenditure.

Keyword: District Own Source Revenue, General Allocation Fund, Regional Expenditure

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I. *PRELIMINARY*

1.1 *Background Research*

Every year the needs of the government and local people always increase, consequently large funds needed for local spending is always increasing (Sahya Anggara, 2016:327).

Any expenditure on expenditures for expenses (Regional Income and Expenditure Budget) must be supported with full and valid evidence. The evidence shall be authorized by the competent authority responsible for the material truth arising from the use of such evidence. Cash expenditures that become a Local Government Expenditure Budget should not be undertaken before the draft local regulations on the Regional Government Expenditure Budget are set out and included in the regional gazette. Such cash expenditures do not include mandatory expenditure expenditures established under the regulations of the regional head (Sujarweni, 2015:68).

The problem in the fiscal year 2017 in Depok City is to decrease regional revenue and regional spending increased. The difference between income and regional expenditure makes Depok City suffered a deficit. The regional income consists of local revenues, equity funds and other legal revenues (Mohammad Idris (Mayor of Depok), 2017).

Local governments are expected to increase own source revenue to reduce dependence on financing from the Central Government so as to improve the implementation of autonomy and local flexibility. An important step that must be done by the Local Government is to calculate the

potential of own source revenue. Own Source Revenue of each region is not the same because it depends on the potential of the region and its management capabilities. Although the regions are given the widest autonomy in general the amount of the own source revenue is much smaller than the central assistance provided. This is a consequence of regulating the financial strength of the country of the equilibrium in any case the central financial power must be greater than the area to safeguard the needs of the State (Sahya Anggara, 2016:339).

The problems faced by the regions in general are related to the calling of local taxes and levies which is one of the components of own source revenue still in 2015 is only Rp 930 billion, while own source revenue in 2016 is targeted to Rp 946 billion or only 2% increase. The increase is too minimal that makes a number of development programs have to be postponed due to budget constraints, one of the potential of own source revenue exist in the tourism sector. But the executive never seriously handle it (Sri Rahayu Agustina, Vice Chairman of DPRD Karawang, 2016).

The purpose of the general allocation fund is the equitable distribution of inter-regional financial capability intended to reduce the inequality of financial capabilities between regions through the application of a formula that takes into account the needs and potential of the region (Ahmad Yani, 2009: 125).

In the Minister of Finance Regulation mentioned, the determination of the region and the amount of delay in the disbursement of part of the general allocation fund (DAU), is based on the estimated fiscal capacity, spending needs, and cash balances position in the regions at the end of 2016 which are categorized as very high, high enough, and moderate. With such criteria, the Minister of Finance stipulates the delay of distribution of general allocation fund of fiscal year 2016 for 169 regions amounting to Rp19,418,975,064,500.00. In the PMK appendix it is mentioned that the delay in the disbursement of a portion of the DAU is conducted for September, October, November and December 2016. In the PMK it is mentioned that the general allocation funds, partly disbursed, may be re-channeled in the Fiscal Year 2016 in the case of sufficient state revenues Sri Mulyani Indrawati (Minister of Finance), 2016).

1.1 *Formulation Of The Problem*

Based on the description above, then the problems in this study are as follows:

1. *How big is the influence of Own Source Revenue on Regional Expenditure.*
2. *How much influence the General Allocation Fund has on Regional Expenditure.*

1.2 *Research Objectives*

The purpose of this study is to determine the effect of the Own Source Revenue and General Allocation Funds to the Regional Expenditure. The purpose of this research is, as follows:

1. *To find out how big influence of Own Source Revenue to Regional Expenditure.*
2. *To find how big influence the General Allocation Fund to Regional Expenditure.*

1.3 *Usefulness Research*

Usefulness of this research explain about and easiness to be obtained from result of research, as well as for the parties to be obtained data and information from result of this research, expected to give new insight and science. Especially for authors and generally for those who read the results of this study.

1.3.1 *Practical Usefulness*

This research is expected to give contribution of thought and input material for government agency and solving problem concerning Owns Source Revenue and General Allocation Fund to Regional Expenditure.

1.3.2 *Academic Uses*

1. *Researcher / Author*
   This research is useful for developing knowledge and adding new insights for writers.
2. *For University Computer Of Indonesia*

The results of this study are expected to add information on donations of thought and study in research.

II. *REVIEW OF LITERATURE, FRAMEWORK FOR THINKING, HYPOTHESES*

2.1 *Literature Review*

2.1.1 *Own Source Revenue*

Own source revenue according to Ida Nurchaida, et al (2015:2) are:

> *"The own source revenue of the regions is obtained by the area collected according to the local regulations in accordance with the legislation to collect funds for the purposes of the relevant regions in financing regional activities".*

And the Original Income according to Baldric Siregar (2015:31) are:

> *"The own source revenue is the revenue earned by the Regional Government from sources within its own territory levied under a Regional Regulation".*

Then the definition of own source revenue according to Sahya Anggara (2016: 326) is:

> *"Own source revenue is revenue generated from regional efforts through intensification and extensification of resources. Intensification is done on resources that have been accustomed to exist in the region by means of tariff adjustments, service system improvements, the issuance of objects and the imposition of a system of penalties for the arrears. Extensification is done to add new sources permitted by the law ".*

From the above definition can be concluded that the Original Revenue is the acceptance of the sources in the area, for the purposes of the area and levied according to legislation.

The Indigenous Revenue indicators according to Baldric Siregar (2015: 31) include:

1. *Local Taxes*
2. *Local Levies*
3. *Results of Separate Wealth Management Management*
4. *Other Original Regional Original Income*

2.1.2 *General Allocation Fund*

Definitions of the General Allocation Fund according to Baldric Siregar (2015:144) are:
"General Allocation Fund is a fund aimed at stating financial capability horizontally".

Definitions of the General Allocation Fund according to Ida Nurchaida, et al (2015:4) are:

"The General Allocation Fund is the transfer of funds for the central government to local governments that are intended to close the fiscal gap and the equitable distribution of inter-regional fiscal capabilities in order to help the independence of local governments perform their functions and their duties to serve the community".
Then the definition of the Allocation Fund according to Sembiring (2012:196) is:
"General Allocation Funds are funds sourced from APBN revenues allocated for the purpose of equitable distribution of financial capacity between regions to fund regional needs in the context of decentralization implementation. Definition of content in

accordance with Law No. 33 of 2004 on Financial Balance between the Central Government and Local Government ".

From the above definition it can be concluded that the General Allocation Fund comes from APBN for regional finance distribution in the implementation of decentralization.

As for indicator of General Allocation Fund according to (Sahya Anggara, 2016: 326) indicator of General Allocation Fund is Fund which sourced from net income of State Revenue and Expenditure Budget or central government.

2.1.3 *Regional Expenditure*

Definition of Regional Expenditure according to V. Wiratna Sujarweni (2015: 57) is:

> *"Regional Expenditures shall be expenditures that are distributed to the Regional Government, to subsequently be included in the Regional Revenue and Expenditure of Regional Budgets concerned".*

Definition of Regional Expenditure according to Baldric Siregar (2015:31) is:

> *"Regional Expenditure is all expenditure from the regional treasury account which reduces the balance of the budget over the period of the relevant fiscal year that the Local Government will not be repaid".*

Definition of Regional Expenditure according to Moh. Mahsun, et al (2013:83) is:

> *"Regional Expenditures shall be expenditures that are distributed to the Regional Government to be included in the regional APBD revenue concerned".*

Based on the above definition can be dismpulkan that the Regional Expenditure is the expenditure of local government during the budget period resulting in the occurrence of debt so that the lack of equity funds.

The indicator of regional spending according to Moh. Mahsun, et al (2013: 97) includes:

1. *Direct Expenditures*
   a. *Employee expenditures*
   b. *Goods and services expenditures*
   c. *Capital expenditure*

2. *Indirect Expenditures*
   a. *Employee expenditures*
   b. *Expenditure interest*
   c. *Subsidy expenditure*
   d. *Grant expenditure*
   e. *Social expenditure*
   f. *Revenue share*
   g. *Revenue share*
   h. *Unexpected expenditures*

2.2 *Framework for Thinking*

2.2.1 *The Influence of Own Source Revenue on Regional Expenditure*

According to (Sahya Anggara, 2016: 327) Original Regional Revenue on Regional Expenditure stating:

> *"Source of regional income in the form own source revenue effect on regional expenditure. The magnitude of regional expenditure depends on the ability of the own source revenue ".*

This statement is reinforced by the research of Syukriy Abdulah and Afrah Junita (2016) entitled Empirical Evidence on the Influence of Budget Ratcheting on the Relationship Between Own Income and Regional Expenditure on Districts / Cities in Aceh, states that:

"Own source revenue has a positive effect on Regional Expenditure".

This statement is also reinforced by research Kiki Ninda Apriliawati and Nur Handayani (2016) stating that:

"Own source revenue has a positive effect on Regional Expenditure".

Then it can be concluded that the own source revenue has a positive and significant influence on the Regional Expenditure. The higher the own source revenue, the higher the regional expenditure should be issued by the Regional Government.

2.2.2 *The Influence of General Allocation Funds on Regional Expenditure*

According to Abdullah & Halim (2003: 20) General Allocation Funds to Spending Area states:

> *"There is a significant transfer in the State Budget (APBN) from the central government to local governments, and local governments can freely use these funds, whether to provide better services to the community or for other purposes that are not important. The greater the General Allocation Fund to the local government means the greater the Regional Expenditure by the local government ".*

This statement is reinforced by Juwari's research, Djoko Setyadi and Yana Ulfah (2016) entitled The Influence of Taxes and Levies as well as General Allocation Fund and Special Allocation Fund on Regional Expenditure and Economic Growth at Regency / City in Kalimantan Region stated that:

> *"The results of the first hypothesis testing is known that the General Allocation Fund has a significant effect on Regional Expenditure".*

This statement is also reinforced by the research of Yefisron, Prof. Dr. King Masbar, M.Sc and Dr., Muhammad Nasir, M.Si, MA (2016) who stated that:

> *"The result of estimation between General Allocation Fund (Dana Alokasi Umum / DAU) to Regional Expenditure in the parent regency and its pemekarannya in West Sumatera Province shows that DAU has positive and significant influence to local expenditure".*

2.3 *Hypothesis*

According Sugiyono (2017: 63) Hypothesis is a temporary answer to the formulation of research problems, where the formulation of research problems have been expressed in the form of a question sentence.

Based on the above framework and research paradigm, the writer tries to formulate hypothesis which is tentative conclusion from research as follows:

H1: Local Own Revenue influence Regional Expenditure

H2: General Allocation Fund influences Regional Expenditure

III. *OBJECT AND RESEARCH METHODS*

3.1 *Research Objects*

The object of research that will be studied in this research is Own Source Revenue, General Allocation Fund and Local Expenditure.

3.2 *Research Methods*

The method used in this research is descriptive research method and verifikatif. By using the research method will be known significant relationship between the variables studied so as to produce a conclusion that clarify the description of the object under study.

3.2.1 *Operational Variables*

This study uses the independent variables of Own Source Revenue, General Allocation Fund, and the dependent variable of Regional Expenditure. The operational table in accordance with the two variables are:

Table 3.1
Operational Variable

Variable	Concept Variable	Indicator	Scale
Variable (x_1) Own Source Revenue	*The own source revenue is the revenue earned by the Regional Government from sources within its own territory levied under a Regional Regulation. (Baldric Siregar, 2015:31)*	*1. Local Taxes 2. Local Levies 3. Results of Separate Wealth Management Management 4. Other Original Regional Original Income (Baldric Siregar, 2015:31)*	*Ratio*
Variable (x_2) General Allocation Fund	*The General Allocation Fund is the transfer of funds for the central government to local governments that are intended to close the fiscal gap and the equitable distribution of inter-regional fiscal capabilities in order to help the independence of local governments perform their functions and their duties to serve the community. (Ida Nurchaida, dkk , 2015:4)*	*General Allocation Fund is Fund which sourced from net income of State Revenue and Expenditure Budget or central government. (Sahya Anggara, 2016:326)*	*Ratio*
Variable (y) Regional Expenditure	*Regional Expenditure is all expenditure from the regional treasury account which reduces the balance of the budget over the period of the relevant fiscal year that the Local Government will not be repaid. (Baldric Siregar, 2015:31)*	*a. Direct Expenditures b. Indirect Expenditures (Baldric Siregar, 2015:31)*	*Ratio*

3.3 *Data Collection Techniques*

According Sugiyono (2013: 224) states that:

> *"Data collection techniques are the most strategic step in the research, because the main purpose of the research is to get the data. Without knowing the techniques of data collection, the researchers will not get data that meets the established standards ".*

Type of data collection in this study is field research is used as a technique of data collection directly on the institutions that become objects in research with documentation, research literature and internet research.

3.4 *Population, Sample, Place and Time of Study*

3.4.1 *Analysis Unit*

The unit of analysis in this study is the Central Statistics Agency of West Java Province.

3.4.2 *Sampling Techniques*

Sampling in this study using probability sampling type probability sampling used in this study is purposive sampling or often called census.

Table 3.2
Regency / City of West Java Province as Sample

No	*Regency*	*No*	*City*
1	Cianjur *Regency*	5	Cirebon *City*
2	Bandung *Regency*	6	Cimahi *City*
3	Majalengka *Regency*		
4	Subang *Regency*		

(Source: Central Statistics Agency, 2017)

Based on Table 3.2, the sample in this study are 4 districts and 2 cities with 5 periods of realization of revenue and expenditure of regency / municipality of West Java province so that the number of samples 30 (6 districts / cities x 5 years realization of revenue and expenditure).

3.4.3 *Location and Time of Research*

For data and information relating to the matter under study authors conducted research in West Java province by collecting data on the Central Statistics Agency of West Java Province. This research started in January 2017 until July 2017. In doing this research, researcher make plan of research schedule which start with preparation stage until final stage that is reporting research result.

3.5 *Data Testing Method*

3.5.1 *Normality Test*

Normality test aims to test whether in the regression model, dependent variables and independent variables both have a normal distribution or not.

The normality test according to V. Wiratna (2015: 120) is:

> *"Normality test is a test to measure whether our data has a normal distribution so it can be used in statistics".*

The basis of decision making according to V. Wiratna (2015: 225) can be done based on significance, namely:

1. If significant> 0.05 then the variable is normally distributed.
2. If significant <0.05 the variable is not normally distributed.

3.5.2 *Heteroscedasticity Test*

Heteroscedasticity is an indication of non-homogeneous residual residual variation resulting in the estimate value obtained is no longer efficient.

According to V. Wiratna (2015: 226) heteroscedasticity test is:

> *"The heteroscedasticity test is a state in which the variance and the confounding error are not constant for all independent variables".*

To test whether variants of residual homogeneous use scatter plot method, with the following result criteria:

1. *If certain patterns such as points that exist form a regular pattern (wavy, widened and then narrowed) then there has been heteroscedasticity.*

2. *If nothing is clear and spots spread above and below the zero on the Y axis then no heteroscedasticity occurs.*

3.6 *Data Analysis Method*

After the data collected and then analyzed the data that has been described. The author analyzed the data by using descriptive and verification methods.

3.6.1 *Descriptive Analysis*

Descriptive research is used to describe how the Own Source Revenue, General Allocation Fund and Regional Expenditure.

3.6.2 *Verifikatif Analysis*

Verifikatif analysis in this study by using statistical test tool that is statistical package for social science (SPSS) version 16. Analysis of verification is used to test more in the influence of the Own Source Revenue and General Allocation Funds to the Regional Expenditure in West Java Province. And test the theory by testing a hypothesis whether accepted or rejected.

3.6.3 *Hypothesis Testing*

According to Andi Supangat (2007: 293) is meant by testing the hypothesis is as follows:

> *"One way in statistics is to test the population" parameters "based on sample statistics, to be accepted or rejected at a certain level of significance. In principle, testing this hypothesis is to make a tentative conclusion to make a rebuttal and / or justification of the problem to be reviewed. As a vehicle for establishing a tentative conclusion, a null hypothesis is set and the alternative hypothesis. "*

The hypothesis to be tested in this study relates to the extent to which the influence of variable X to variable Y, namely the Own Source Revenue and General Allocation Fund to Regional Expenditure.

IV. *RESEARCH RESULT AND DISCUSSION*

4.1.1 *Effect of Original Income on Regional Expenditure*

Based on the result of research of Own Source Revenue influential to Regional Expenditure, the amount of Regional Expenditure depends on the ability of Own Source Revenue. The percentage of the influence of Own Source Revenue to Regional Expenditure is 32.94%, which means that 32.94% of Regional Expenditure is influenced by Own Source Revenue, while the rest equal to 67.06% influenced by other factors not examined in this research such as revenue-sharing that contribute To local.

4.1.2 *Effect of General Allocation Fund on Regional Expenditure*

Based on the result of the research, the percentage of the influence of General Allocation Fund to Regional Expenditure is 45.42%, which means that 45.42% of Regional Expenditure is influenced by General Allocation Fund, while the rest of 54.58% is influenced by other factors not examined in this research such as special allocation fund Contributing to regional expenditure.

V. *CONCLUSIONS AND SUGGESTIONS*

5.1 *Conclusions*

Based on the results of research and discussion on the influence of the Own Source Revenue and General Allocation Funds on Regional Expenditure in 6 Districts / Cities West Java Province then at the end of this study, the authors draw the following conclusions:

1. *Partially Own Source Revenue affects the Regional Expenditure in West Java Province in the period of 2011-2015. This means that the higher the Own Source Revenue then the Regional Expenditure will be received will be higher.*
2. *Partially General Allocation Fund influences on Regional Expenditure on Regency and City in West Java Province in 2011-2015. This means that the higher the General Allocation Fund received, the higher the Regional Expenditure received.*

5.2 *Suggestions*

5.2.1 *Operational Suggestions*

Based on the results of data analysis and discussion that has been done, can be taken suggestions as follows

1. *Local Government / City Government in 6 Districts / Cities in West Java Province should be able to increase the Own Source Revenue in accordance with regional capability in order to be used for regional purposes, especially for the welfare of the people of the area. And local governments should be able to reduce expenditures that are not so important because it will reduce revenue in each region it is good to be used for the things that really matter.:*
2. *To increase General Allocation Funds, local governments should optimize funds from the state budget to be realized properly. And local governments that still get the General Allocation Fund less than the state budget then if raised funds from the government there will be no imbalance too far with other regional governments.*

5.2.2 *Academic Suggestions*

1. *For Science Development*

   In this study only take two independent variables, so can not explain all the variables that affect the Regional Expenditure. Therefore, it is necessary to add variables that affect regional expenditure such as other balancing funds.
2. *For Other Researchers*

   It is suggested in subsequent research to conduct research with the same method but with variable, different unit of analysis and sample in order to obtain conclusion supporting the theory and concept accepted generally.

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